

Growing the Economy and Holding the Line on Spending:

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Priorities of the Federal Budget

March 2004

It seems fitting that the deadline set by law for Congress to pass a budget is the same deadline taxpayers have for filing their tax returns - April 15. Most of the debate about the budget revolves around spending money: how much to spend on which programs, whether spending is going up fast enough to meet the need. But, it is probably a good idea to start at the beginning. For as Winston Churchill once said, "Governments create nothing and have nothing to give but what they have first taken away."

For the fiscal year starting October 1, the federal government expects to take about \$2 trillion dollars from taxpayers. That is \$238 billion more than it took last year. It is about \$7,000 for every man, woman, and child in the United States.

There are some who do not think that is enough. They want to repeal some or all of the tax cuts of recent years, in effect raising taxes. Some of those tax reductions will expire automatically in December if they are not extended. Those expiring provisions include the increase in the child tax credit, reducing the marriage penalty, and expanding the 10% bracket.

While the federal government will take in about \$2 trillion in taxes, it is estimated that it will spend about \$2.4 trillion. In other words, it is expected to spend about \$400 billion more than it receives - that is the deficit.

The fact that we have such a large deficit surprises some people. After all, the federal budget was in surplus just a few years ago. When the

economists analyze what has caused the change, they say 22% of the cause is higher spending, much of it for defense and homeland security, 25% is from tax cuts bringing in less money to the federal government, and 53% is based on the slow economy bringing in less revenue than was forecast. The President wants to cut the deficit in half over the next five years. A lot of us in Congress think we can do even better.

When you look at federal spending, the biggest category is mandatory spending, also known as entitlements. Everyone who meets the eligibility criteria can receive the benefit. Two-thirds of federal spending is entitlements, the largest being Social Security, Medicare, Medicaid, and unemployment benefits. A one year budget does not affect those programs; only a change in the permanent law, such as the welfare reform bill passed a few years ago, can do that. Entitlements, especially those, like Medicare and Medicaid, involving health care, increase every year at a significant rate.

Of the 34% of federal spending that is not entitlements, national security programs are the biggest category. The President has proposed increasing defense spending 7% next year and increasing homeland security 10%. Congress should carefully review the individual programs, but we are still engaged in a war with a determined enemy and must fulfill the government's responsibility to defend our people.

For all other spending, the President proposed spending about the same next year as we are spending this year, although some individual programs would go up and others would go down. The President even proposed ending more than 60 relatively small programs, saving about \$5 billion.

Passing a budget through Congress is difficult and frustrating. No one gets a budget just as they want it. I often end up voting for a budget plan, not because I really like it, but because the alternatives are so much worse.

For me, the top priority this year ought to be making sure the economy continues to grow, and that is just what the tax relief passed last year seems to be doing. The next priority should be to hold the line on spending. I would support lower spending than most of my colleagues but will support the effort that is most effective.

I also believe that it is very important for Congress to make structural reforms. It is just too easy for Congress to spend other people's money. And when something jumps up as an urgent priority, like homeland security after September 11, spending on lesser priorities ought to be reduced.

I try to never forget that every dollar spent by the federal government is taken out of the wallet or purse of some American who earned it - an American who is also trying to feed a family or create jobs or pay for health care. We must be very careful how much we take and how we spend that dollar.

